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White House had doubts about US contact on Iran

North suspected middleman Ledeen had profit motive

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White House officials involved in the Iran-contra affair suspected in early 1986 that their Iranian contact had a secret business arrangement with the National Security Council consultant who initiated America's covert Iran operation.

According to two internal NSC computer memos cited in the recent Tower Commission report, the officials suspected that Iranian middleman Manucher Ghorbanifar and NSC consultant Michael Ledeen were secretly cooperating in a "financial arrangement" unknown to the Israeli, American, or Iranian governments.

The memos written by Lt. Col. Oliver North, the now-fired NSC aide, to his boss, Vice-Adm. John Poindexter, then national security adviser, indicate that two Israeli arms merchants were also suspected of being party to the same "secret business arrangement"

"It's a lie," says Mr. Ledeen, who has read the commission report. "Whoever said it is a liar."

Ledeen stressed that "there is no arrangement, business or otherwise," between himself, Mr. Ghorbanifar, or the two Israeli arms dealers, Al Schwimmer and Yaacov Nimrodi.

The memos suggest that Colonel North, Admiral Poindexter, then-central intelligence director William Casey, and Amiran Nir, an adviser to the Israeli prime minister, all suspected that secret business deals were being conducted by the Israeli, American, and Iranian middlemen at the same time the US and Israel were attempting to establish contact with the Iranian government.

"Casey shares our concerns. More recent information tends to indicate that there is even further grounds for concern, given what may be [or] have been a financial arrangement among Schwimmer, Nimrodi, Gorb [Ghorbanifar], and our friend [Ledeen]," says a memo written by North to Poindexter on Jan. 24, 1986.

Ledeen's complete role in the Iran initiative is not yet clear. In Washington, where he has worked as a journalist, author, government official, and consultant for 10 years, he is viewed by associates as a bright, conservative insider who works behind the scenes to cultivate ties with intelligence officials and foreign

leaders. Ledeen is said to be particularly well connected within Israeli military and intelligence circles. He has said he is a personal friend of Italian Prime Minister Bettino Craxi and Israeli Foreign Minister Shimon Peres. Mr. Peres was prime minister during the time of the Iran initiative.

"He is very much a romantic and loves this sort of cloak-and-dagger stuff," a former associate says.

"Michael's reputation is that of being in the influence business, knowing foreign leaders, and at times being manipulative of foreign policy," another colleague says. "He has got interesting friends and travels in interesting circles."

In the Iran initiative, Ledeen was the person who first presented the plan to open lines of communication between Tehran and Washington, and he was the first American to make contact with Ghorbanifar.

Ghorbanifar, an Iranian intelligence operative and businessman in Europe, was an associate of Israeli arms dealers Schwimmer and Nimrodi, as well as Saudi arms tycoon Adnan Khashoggi. The men had discussed as early as 1984 the possibility of opening up a US arms supply line to Iran and even the possibility of trading arms for hostages.

Ghorbanifar was widely distrusted within the US intelligence community. One senior CIA official was quoted in the Tower Commission report as saying, "This is a guy who lies with zest."

Ledeen says his involvement in the Iran initiative and with Ghorbanifar was strictly that of a messenger. He says he opposed US attempts to use arms sales as a means to gain the freedom of American hostages in Lebanon. But he says he did not oppose attempts to use US arms shipments as a means to improve relations with Iran.

The North computer memos suggest the possibility of corruption in the Iran initiative. It is unclear whether there was any effort by North or others to investigate their suspicions. Ledeen says that neither North,

Poindexter, nor Mr. Casey ever raised the subject of secret business deals with him. "These are people I talked to all the time, and no one ever asked me a question about this," Ledeen says.

Ledeen's service as an NSC consultant did not end until Nov. 26, 1986 - the day the Federal Bureau of Investigation began a criminal probe of the Iran arms shipments and four days after Attorney General Edwin Meese III publicly disclosed the Iran-contra connection.

But Ledeen says his involvement in the Iran initiative ended in November 1985 when Poindexter replaced him. Ledeen says he thinks he was replaced because of his opposition to trading arms for hostages.

In late 1985, US and Israeli officials were considering ways of replacing the original network of middlemen (Ledeen, Schwimmer, and Nimrodi) with a new channel to Iran.

The change was made after it was learned that the Israeli middlemen had substituted obsolete arms in a November shipment to Iran. The substitution raised Iranian concerns about US good faith.

Though Ledeen says he was no longer officially involved in the Iran initiative, he says he kept in contact with Ghorbanifar, who remained a key channel to Iran for the White House. Ledeen says the two became close friends. North suspected as much in mid-January of 1986. In his memo to Poindexter he wrote, "It is my opinion, based on my meeting with Gorb [Ghorbanifar] on Monday night [Jan. 13], that Gorb tells Ledeen everything."

North suggested that Ledeen might prove to be a useful source of information on Ghorbanifar. "This may not be alto-

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gether bad if we can keep in touch with Ledeen enough to get a feel for what is really going on," North wrote.

The North memo adds: "I have no problem with someone making an honest profit on honest business. I do have a problem if it means the compromise of sensitive political and operational details."

There are several alternative ways of considering the significance of the North memos. One line of thought is that they may have been a deliberate falsification in an effort to discredit Ledeen and ease him out of the Iran operation at the same time the Israeli middlemen were being pushed out.

On the other hand, if the memos are an accurate portrayal of suspicions - even unfounded suspicions - North would have been obliged to keep Ledeen on the payroll in an effort to maintain the security of the ongoing covert initiative.

The Tower Commission criticized the White House for relying on middlemen "with questionable credentials and potentially large personal financial interests in the transactions. This made the transactions unnecessarily complicated and invited kickbacks and payoffs."